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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE ISLAMIC REPUBLIC OF IRAN (1997-1999)

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INTRODUCTION

1. The first country cooperation framework (CCF) for the Islamic Republic of Iran constitutes the basis for UNDP cooperation with the Government for the period 1997-1999. It supersedes the fifth country programme, which was intended to cover the period 1994-1998. The first CCF will increase the focus on sustainable human development (SHD) and the follow-up to international conferences; harmonize UNDP cooperation with the Government's development plan and the programmes of cooperation of the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA); and provide a planning tool by which to maximize resource mobilization from non-UNDP sources.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. With a surface area of 1.65 million square kilometres and a population of some 59.5 million (1995), the Islamic Republic of Iran is one of the largest countries in the region, possessing large deposits of oil and natural gas and other mineral resources. With its well-educated population, natural resources, well-developed infrastructure and a geographical position ideal for transit links, the country has great potential for economic prosperity.

3. Over the last twenty years, the country has undergone exceptional tests of endurance: the turmoil of the revolution during 1978 and 1979; the loss of much of its leadership during the bombings of 1981; and, above all, the 1980-1988 war with Iraq, which cost the country an estimated hundreds of billions of dollars in direct and indirect damage. The Islamic Republic of Iran has accepted the largest influx of refugees in the world: it is estimated that the number of refugees from Afghanistan and Iraq reached over 4 million in 1991. The country has been affected adversely by highly unstable situations in neighbouring countries. The flow of opiates from Afghanistan creates enormous human, social and economic costs. The long-term decrease in the real value of oil exports along with drastic increases in population have also added to economic problems.

4. The Islamic Republic of Iran is a lower middle-income country, with a per capita gross national product estimated at $1,030 in 1995. With the approval of its First Five-Year Plan (1989/1990-1993/1994), the Government began correcting price distortions, thus encouraging enhanced public participation in the development process. During that period, the economy experienced real growth rates ranging from 4.5 to 11.0 per cent. The positive growth trend, which slowed in 1994, began again in 1995. The Government initiated new economic adjustment policies, based on the stabilization of currency rates, directing export earnings to high-priority sectors and reducing imports. Inflation, the balance of payments, and the level of foreign debt level have improved.

5. Exchange rates are fixed and foreign exchange is allocated at less than market value. Energy, social services and essential food items are subsidized, but this system will be replaced with a more targeted system of support to low-income and disadvantaged groups.

6. Annual oil exports of $14 billion (1994/1995) represent 76 per cent of the country's total export income, but the oil industry employs less than 1 per cent of the labour force. As such, expansion of employment and export diversification are major objectives of the Second Five-Year Plan (1995/1996-1999/2000).

7. The Second Five-Year Plan states sustained economic development and greater social justice as its overriding aims. It lists 16 macroeconomic goals, 4 of which are of paramount importance for UNDP cooperation, namely: (a) improving

social justice and eradicating poverty; (b) promoting diversified exports; (c) protecting the environment through better management of the country's natural resources; and (d) improving the country's administrative and monitoring structures, with a view to achieving the Plan's objectives.

8. According to the Human Development Report 1996, in terms of its human development index, the Islamic Republic of Iran ranked 66 out of 174 countries. Since 1993, as a result of progress made in health and education, the country's rank has improved 37 places. In 1993, the portion of the national budget allocated to human-priority expenditures (education, health, housing, social security and general welfare expenditures, including food subsidies) was estimated at 45 per cent. Over the last 20 years, access to primary health care has increased significantly, to a national coverage rate of 80 per cent in 1995, with practically no geographical or gender differences. Life expectancy has increased from 55 years in 1978 to 68 years in 1996. Infant mortality has declined from 104 per 1,000 live births in 1975 to 20.3 per 1,000 live births in 1996, and over 90 per cent of children weigh 2,500 grams or more at birth. In 1995, 98.4 per cent of the country's urban population and 86.4 per cent of the rural population had access to safe drinking water.

9. The Islamic Republic of Iran's population growth rate reached 3.2 per cent during the decade 1977-1986, and the total population increased from 34 million in 1977 to 59.5 million in 1995. Today, 45.5 per cent of the country's population is below the age of 17 years, presenting a number of challenges for the future, including high social, environmental and economic costs. Since 1986, the Government has been implementing a successful family planning programme. The population growth rate declined to 1.56 per cent in 1995, and the country-wide access of couples to free family planning services reached 72 per cent.

10. The overall literacy rate has increased from 47 per cent in 1976 to over 80 per cent in 1996. The literacy rate for females is 78 per cent, compared to a male literacy rate of 84.1 per cent in 1995. The gender gap is due mainly to illiteracy among older people. In 1996, enrolment in primary education reached 99.7 per cent, up from 67 per cent in 1977. The literacy rates for children 7 to 14 years of age are 93 per cent for boys and 90 per cent for girls.

11. It is estimated that poverty affects some 17 per cent of the population, or 12.2 per cent in urban areas and 26 per cent in rural areas, with 15.7 per cent of all children suffering from malnutrition. The problem has become acute, owing to economic difficulties such as inflation and reduced subsidies for essential goods and services.

12. The main challenge for the Government is to ensure that the achievements in social sector remain sustainable. Currently, all social services are being provided universally, through generous government subsidies. With the decline in the real value of oil income, new initiatives for financing social and infrastructural services as well as targeting the poor will be needed.

13. The country also seeks to protect its fragile environment and improve the management of its natural resources. It has ratified most environmental conventions, and has a seat on the Global Environment Facility (GEF) Council.

14. The Islamic Development Bank (IDB) and the World Bank have provided loans for infrastructure, power-generation, agriculture and social development. IDB disbursements totalled $33 million in 1995, and those of the World Bank, $49 million. The World Bank has not approved any new loans since 1994. In 1995, the United Nations system spent approximately $35 million in support of programmes in the Islamic Republic of Iran, $21 million or 60 per cent of which

was for humanitarian assistance, mainly for refugees. Approximately $14 million was used for development. The Islamic Republic of Iran receives little bilateral grant funding.

II. RESULTS AND LESSONS OF PAST COOPERATION

15. The fifth country programme for the Islamic Republic of Iran, which was to cover the period 1994-1998, identified two areas of concentration: support for economic reforms and protection of the environment. Of the 12 programmes originally identified, only 5 were approved and initiated, owing to the shortened programme duration and the lack of core UNDP resources. Of the UNDP core resources initially anticipated, only $5.5 million or 48 per cent were made available during the first three years of the programme. With the shift in focus to fewer programmes, reflecting the new SHD mandate, new programmes were developed in the areas of public management, trade, environment policies and the phasing out of ozone-depleting substances.

16. A study of SHD indicators in the country conducted by the Institute for Research on Planning and Development was a first step towards a new poverty eradication programme. A National Strategy for Sustainable Development and Environment Protection was prepared by national experts, with funding from Capacity 21. Following the Islamic Republic of Iran's recent ratification of the United Nations Framework Convention on Climate Change, the Convention on Biodiversity and the United Nations Convention to Combat Desertification in Those Countries Experiencing Drought, Particularly in Africa, the GEF National Subcommittee was reactivated. In addition, the first steps towards the important Caspian Sea Initiative were taken.

17. UNDP and the United Nations Industrial Development Organization jointly implemented a large, Montreal Protocol-funded national programme for the phasing out of ozone-depleting substances that had been formulated in 1993. UNDP also assisted in the preparation of the national strategy for the Fourth World Conference on Women. The public management improvement and trade reform programmes were the first policy-oriented programmes with UNDP since the revolution.

18. UNDP and the Planning and Budget Office (PBO) concentrated on completing projects initiated during the previous programming period: the silkworm breeding project revived an old industry; the walnut development and the aromatic plants projects prepared the ground for income-generation and eventual exports for small farmers; the Lar Dam and dam safety projects provided important technical inputs for large-scale investments; a biotechnology project developed environment-friendly insecticides to fight malaria; the first forest seeds centre was established; and modern methods for topographic mapping and geographic information systems were introduced.

19. Since 1993, all newly approved programmes and projects have been executed nationally, with technical support from United Nations agencies as required, a trend that is expected to continue in the future. Normally, locally available human and material inputs are sourced and procured by the national executing agency, with UNDP support. Expert inputs are now provided increasingly through the use of national sources and the Transfer of Knowledge Through Expatriate Nationals (TOKTEN) modality. Over the last three years, almost 200 TOKTEN experts have served in the Islamic Republic of Iran, compared to only 115 over the period 1989-1993. A challenge under the first CCF will be to identify means of national implementation, in harmony with Government regulations, and standardize recruitment and output quality-monitoring.

20. During the previous programme period, 68 projects were approved. Under the first CCF, only nine programmes are foreseen, each consisting of two to three components. Whereas the average UNDP input into each project was $400,000 during the previous programme period, under the first CCF average UNDP support per programme is envisaged to be $1.7 million. If all funding windows are included, support may increase to $4.8 million per programme. Based on past experience, programmes involving more than one government institution would be better served by being broken down into several programme components, under an umbrella programme document. During the first three years of the fifth country programme, non-core resources were approximately twice the amount of core UNDP resources. During the period of the first CCF, it is hoped that non-core funding will reach eight times the amount of UNDP core funds available.

III. PROPOSED STRATEGY AND THEMATIC AREAS

21. The overall strategy for future UNDP cooperation is based on: (a) the Government's development priorities, as specified in the Second Five-Year Plan; (b) the UNDP focus on SHD, particularly poverty eradication, the improvement of public management, and the protection of the environment; (c) follow-up to international conferences; and (d) maximum mobilization of additional resources. In line with the goals of the Second Five-Year Plan, over the next three years, UNDP will cooperate with the Government in two major areas: (a) supporting economic adjustment and improved social policies; and (b) promoting the protection of the environment.

22. In the area of economic adjustment and improved social policies, four interlinked and complementary programmes are envisaged. Under protection of the environment, five programmes are foreseen. All programmes will focus on key SHD areas, including poverty eradication, improvement of public management, protection of the environment, trade reform and disaster management. Most will also focus on issues related to follow-up on the recommendations of international conferences and conventions, such as the World Summit for Social Development, Agenda 21, the United Nations Convention to Combat Desertification in Those Countries Experiencing Drought and/or Desertification, Particularly Those in Africa, the Convention on Biodiversity and the Montreal Protocol.

23. Several programmes will take advantage of international funds for activities in the area of the environment, such as resources available under the Montreal Protocol and GEF. The Government will contribute cost-sharing resources to several programmes. It is also hoped that cost-sharing resources from the private sector can be attracted for the first time.

A. Supporting economic adjustment and improving social policies for sustainable development

24. Legislation for an integrated poverty eradication programme has been drafted and is presently being reviewed by the Islamic Consultative Assembly. An umbrella programme with a special focus on the development of appropriate SHD methodologies and indicators will be developed jointly with the Economic and Social Commission for Asia and the Pacific, the International Labour Organization, the Food and Agricultural Organization of the United Nations (FAO), UNICEF, UNFPA and the World Bank. UNDP will focus primarily on the improvement of the social safety net, employment-generation and food security. A poverty profile, disaggregated by age and sex, will be drawn up to prepare for a more targeted and cost-effective subsidy system and social safety nets. An "idea fair" for poverty eradication programmes will help to identify best national and international practices.

25. The Second Five-Year Plan foresees sustainable growth with social equity. To achieve this at a time of severe constraints on development resources, PBO plans to improve its activities through a dynamic macro-management approach, supported by appropriate budgeting and information systems. UNDP support will focus on the three core functions of PBO: planning, budgeting and statistics. The goals will be to develop a new macroeconomic model for planning, a new and flexible planning mechanism and new and revised budgeting procedures. UNDP will also assist in improving the monitoring and feed-back systems on development projects, taking into account the latest developments in macroeconomic planning and modelling, including the elimination of gender biases.

26. Cooperation in the area of economic growth and the creation of employment will be based on the strengthening of national capacities, the establishment of appropriate linkages to international markets and the promotion and diversification of exports. Sustainable economic growth will be promoted through reforms in trade policies and customs administration and the adoption of a system of protection of intellectual property, in line with international norms. In implementing customs reforms, the Islamic Republic of Iran will take the lead among the countries of the Economic Cooperation Organization (ECO). The programme will reach out to the private sector and will provide training and guidance to small- and medium-scale industries, thereby increasing the propensity for investment and promoting increased employment opportunities as a sustainable way to prevent poverty.

27. The Islamic Republic of Iran is one of the 20 most disaster-prone countries in the world. On average, every three years an earthquake occurs at the magnitude of seven or greater on the Richter scale. Floods are frequent, with disastrous effects. Since the 1980s the country has housed the world's largest number of refugees, who come from neighbouring countries. The United Nations system, as the only donor with field representation, has been called upon to play an important role in disaster mitigation, preparedness and response. The aim is to equip the Ministry of Interior and the United Nations family to respond faster and more appropriately to national disasters. Links will be established with the international community, through the United Nations Department of Humanitarian Affairs. The initiative has been welcomed by most donor embassies in the country, and international disaster-relief appeals will be issued through the United Nations system, in close cooperation with the Ministry of Foreign Affairs and the Ministry of Interior.

B. Promoting the protection of the environment for sustainable development

28. Building on the fifth country programme, UNDP support in the area of the environment will focus on the core functions of the Department of the Environment, helping to introduce a new policy framework for environment protection, organizational adjustments and new policy instruments. A national strategy for sustainable development and protection of the environment will become the official policy, and the Department of the Environment will be reorganized to address its new and enlarged tasks more efficiently. Environmental impact assessments will become part of the government approval mechanism for large-scale investments.

29. Owing to the country's vulnerability to desertification, the equivalent of 400,000 hectares of fertile soil are lost annually to erosion, causing extensive land degradation and flooding, seriously threatening long-term sustainable agricultural development. Average annual rainfall is 240 millimetres, and only 8 per cent of the country's surface area is used for agriculture. The Second Five-Year Plan emphasizes an integrated approach to planning and managing land and water resources and combating desertification. Through projects in the areas of desertification, watershed management and irrigation, UNDP will assist

in the formulation of a national programme of action. Participatory approaches will be introduced and strengthened and rural communities will be encouraged to contribute to the management of their natural resources, with the active involvement of women. The programme will directly benefit poor households, which often cultivate poorly managed and marginal lands.

30. The Islamic Republic of Iran's exceptionally rich biodiversity is under threat from expanding human habitation and agriculture and the degradation of natural biomass through pollution, deforestation, eroding rangelands and watersheds. The Parliament ratified the Convention on Biodiversity in 1996, preparing the ground for GEF funding. The Islamic Republic of Iran is also a party to the Convention on Wetlands of International Importance, especially as Waterfowl Habitat (the Ramsar Convention). Technical assistance will be sought for enabling activities, national capacity-building and the enhancement of public awareness with regard to the protection of biodiversity. Projects will be proposed for GEF and donor funding in areas such as protecting wetlands and mangrove forests, protecting endangered species, and protecting and managing biodiversity in forests and rangelands and watershed and desert areas. The Islamic Republic of Iran aims to join the GEF Small Grants Programme to support activities by local non-governmental organizations (NGOs) and other community-based organizations. It also intends to work with neighbouring countries in managing transitory bird routes.

31. While the Islamic Republic of Iran is a major producer of fossil fuels, it intends to increase energy efficiency and conservation in line with its general obligations under the United Nations Framework Convention on Climate Change. It is envisaged that a number of projects will be proposed for GEF and donor funding, in order to enhance the Government's capacity to address climate change issues. These projects will support activities such as the reduction of pollution from public buses in greater Teheran, the reduction of gas-flaring, the improvement of municipal waste management and the promotion of the use of renewable energy resources.

32. The Islamic Republic of Iran has ratified the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol. Although the Islamic Republic of Iran does not produce ozone-depleting substances, it does import chlorofluorocarbons. In 1993, with UNDP assistance, the Islamic Republic of Iran prepared a national programme to phase out ozone-depleting substances. The programme is currently being implemented with Montreal Protocol funding, and additional funding will be sought to continue work in the area. The Government has recently ratified the London and Copenhagen Amendments to the Montreal Protocol.

C. Special programme features

33. To follow-up on the goals set by the global United Nations conferences, UNDP will act in accordance with recent General Assembly and Economic and Social Council resolutions. UNDP will assist the Government in follow-up on the United Nations Conference on Environment and Development, the World Summit for Social Development and the World Conference on Natural Disaster Reduction; UNFPA will assist in follow-up on the International Conference on Population and Development; and UNICEF will assist in follow-up on the World Summit for Children. The World Health Organization (WHO) will assist the Government in follow-up on the Almaty Declaration, and FAO will assist with follow-up on the recent World Food Summit. All United Nations agencies will assist the Government in follow-up on the Fourth World Conference on Women. Other areas of inter-agency cooperation include the annual human development report, work with NGOs and HIV/AIDS.

34. Following discussions with United Nations system development agencies, joint Government/inter-agency, national human development reports will be prepared annually, focusing on SHD indicators and methodologies. The reports are expected to assist policy makers and officials in their work and to become instruments to report on the country's progress towards internationally accepted goals. They will bring together United Nations organizations' efforts to assist in follow-up on global conferences and serve as a basis for the common country assessment and the country strategy note.

35. Increased participation in regional development programmes will be sought, through the technical cooperation among developing countries (TCDC) mechanism, linked to UNDP-supported national programmes and UNDP- and GEF-financed regional projects. The Islamic Republic of Iran has offered its expertise for TCDC activities in the control of desertification and customs reforms. It is also active in promoting the Caspian Sea Initiative and has taken steps to promote cooperation among riparian countries. The Islamic Republic of Iran is host to the ECO Secretariat and strongly supports a UNDP-funded regional project to strengthen that organization.

36. Greater use will be made of national talents in UNDP-supported interventions, reinforced by international expertise. Towards this end, United Nations agencies are establishing a roster of national experts. Since 1992, the Islamic Republic of Iran has had the largest TOKTEN programme in the world. This successful and cost-effective programme will be extended.

37. Gender issues will be prominent in several programmes, such as those for poverty eradication and land, water and biodiversity protection. Women's NGOs will be encouraged to take part in the poverty eradication idea fair and the biodiversity programme's planned small-grants window. UNDP will publish the Platform for Action of the Fourth World Conference on Women in Farsi.

38. In the wake of the adjustment programme, several NGOs have been set up in the fields of environment, gender in development and other social issues. Numerous government agencies have involved local communities in planning and executing their projects. The poverty and environment programmes will involve the participation of local communities and national NGOs. Participation of international NGOs will be subject to government endorsement.

39. The private sector is increasingly important in the Islamic Republic of Iran's economy and is seeking international contacts. UNDP will assist with export promotion and environment programmes, through the use of United Nations Short-Term Advisory Resources. Three new trust funds will mobilize private sector support and create partnerships with UNDP under the programmes for phasing out ozone-depleting substances, trade, and the protection of biodiversity.

40. The Islamic Republic of Iran still has few registered cases of HIV and AIDS (347 and 142 cases, respectively). All donated blood is tested. Anonymous testing is encouraged. A Joint and Co-sponsored United Nations Programme on HIV/AIDS (UNAIDS) Theme Group was set up in 1995, with the participation of WHO, UNICEF, UNFPA, UNESCO and UNDP. The Group collaborates with the Ministry of Health and Medical Education's public education and workshop activities. UNDP will cooperate in producing high-impact public information and publicity materials.

IV. MANAGEMENT ARRANGEMENTS

41. The programme approach will continue to be applied, supported by umbrella programmes, with separate programme components. For each programme, a national programme coordinator will be appointed, usually at a policy level, and each programme component will be headed by a national project director. At least twice a year, programme reviews chaired by the national programme coordinator will discuss the programmes' progress and reinforce linkages among the sub-components.

42. All programmes will continue to be nationally executed, while at the same time taking maximum advantage of the expertise of United Nations specialized agencies and the management services of the United Nations Office of Project Services and the UNDP country office. For complex programmes, the national project director/national programme coordinator will be supported by UNDP-funded national programme managers. Programmes will rely on national experts, supported by short-term international consultants.

43. Programme monitoring and evaluation will be strengthened through: (a) a detailed review of the first CCF by the Ministry of Foreign Affairs, PBO, line ministries and UNDP by the end of 1998, prior to preparation of the country strategy note and the outline for the second CCF; (b) annual in-depth programme review meetings, chaired by the programme coordinator, supported by in-depth programme evaluations and United Nations specialized agencies as necessary; (c) regular monitoring visits by the Ministry of Foreign Affairs, PBO, the UNDP country office and the government counterpart institutions; and (d) the UNDP country office programme monitoring system (PROMS), a computerized system of fact sheets, allowing for continuous operational and financial monitoring of programme progress. The Ministry of Foreign Affairs and PBO will be able to access PROMS information through a telephone link-up provided by UNDP.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR THE ISLAMIC REPUBLIC OF IRAN (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	2 169	
TRAC 1.1.1	1 733	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS a/	215	
Subtotal	4 117 b/	
NON-CORE FUNDS		
Government cost-sharing	5 160	
Sustainable development funds	34 800 of which: Montreal Protocol 16 300 GEF 18 500	
Third-party cost-sharing	2 500	Private sector, bilateral
Funds, trust funds and other	-	
Subtotal	42 460	
GRAND TOTAL	46 577 b/	

a/ Tentative SPPD/STS targets are established as a fixed percentage of potential TRAC resources, including "other resources" for Europe and the Commonwealth of Independent States. The amount shown is higher than these targets owing to the need for such support and other country-specific factors.

b/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.